L72mtm 1994- Office of the Montana Tech of the University of Montana financial-compliance audit

# Office of the Legislative Auditor

State of Montana

Report to the Legislature

February 1995

# Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 1994

# Montana Tech of The University of Montana

This report contains recommendations for improvement in the college's operations. Items addressed in the report include:

- Unrecorded financial activity.
- Complying with contracted services requirements.
- Monitoring property records.

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The Single Audit Act of 1984 and OMB Circular A-128 require the auditor to issue certain financial, internal control, and compliance reports regarding the state's federal financial assistance programs, including all findings of noncompliance and questioned costs. This individual agency audit report is not intended to comply with the Single Audit Act of 1984 or OMB Circular A-128 and is therefore not intended for distribution to federal grantor agencies. The Office of the Legislative Auditor issues a statewide biennial Single Audit Report which complies with the reporting requirements listed above. The Single Audit Report for the two fiscal years ended June 30, 1993 has been issued. Copies of the Single Audit Report can be obtained by contacting:

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STATE OF MONTANA

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Operations and EDP Audit
JAMES GILLETT
Financial-Compliance Audit
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Performance Audit

February 1995

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on Montana Tech of The University of Montana, including the Bureau of Mines, for the two fiscal years ended June 30, 1994. Included in this report are recommendations concerning unrecorded activity, complying with contracting requirements, and monitoring property records. The college's written response to audit recommendations is included in the back of the audit report.

We thank the chancellor and his staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

Scott A. Seacat
Legislative Auditor

# Office of the Legislative Auditor

**Financial-Compliance Audit**
**For the Two Fiscal Years Ended June 30, 1994**

# Montana Tech of The University of Montana

Members of the audit staff involved in this audit were Scott Hoversland, Cindy S. Jorgenson, Jim Manning, Lorry Parriman, Catherine L. Scarff, and Kris Wilkinson.

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| Jim Brown, Student Regent | | 1995 |

* Ex Officio members of the Board of Regents of Higher Education

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## Montana Tech of The University of Montana

| | |
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| John Hintz | Vice Chancellor for Administrative and Student Services |
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## Montana Bureau of Mines and Geology

| | |
|---|---|
| John Steinmetz | Director |
| John Dunstan | Administrator |

## Summary of Recommendations

The listing below serves as a means of summarizing the recommendations contained in the report, the department's response thereto, and a reference to the supporting comments.


| | | |
|---|---|---|
| Recommendation #1 | We recommend the college account for donations and bequests made to the college on the college accounting records as required by university system policy and state law. | 5 |
| | College Response: Concur. See page B-4. | |
| Recommendation #2 | We recommend the college record the financial activity of the Montana Tech Day Care on the college's financial records as required by state law. | 6 |
| | College Response: Do not concur. See page B-4. | |
| Recommendation #3 | We recommend the college comply with state purchasing laws or seek legislation to allow an exception for its food services contract. | 8 |
| | College Response: Concur. See page B-5. | |
| Recommendation #4 | We recommend the college establish property management procedures which comply with state policy. | 9 |
| | College Response: Concur. See page B-5. | |

## Introduction

We performed a financial-compliance audit of Montana Tech of The University of Montana (the college) for the two fiscal years ended June 30, 1994. The objectives of our audit were to:

1. Determine if the college complied with applicable laws and regulations.
2. Make recommendations for improvement in the management and internal controls of the college.
3. Determine if the financial statements present fairly the financial position and results of operations of the college for the two fiscal years ended June 30, 1994.
4. Determine the implementation status of prior audit recommendations.

This report contains four recommendations to the college. In accordance with section 5-13-307, MCA, we analyzed and disclosed the cost, if significant, of implementing the recommendations made in this report. Areas of concern deemed not to have a significant effect on the successful operations of the college are not specifically included in this report, but have been discussed with management.

## Background

Montana Tech of The University of Montana, formerly the Montana College of Mineral Science and Technology, was restructured to an affiliated campus of The University of Montana by the Board of Regents effective July 1, 1994.

The college offers bachelor's and master's programs in engineering science, geological, geophysical, metallurgical, mining, petroleum, and environmental engineering. Bachelor's programs in environmental engineering and occupational safety and health, and a master's program in industrial hygiene, evolved from state, national, and international needs to focus on the impacts of the resource industries. The college recently added a mine waste program.

To provide support for the engineering curriculum, and to meet the growing demands for higher education opportunities, the

college has developed additional educational opportunities. Bachelor degree programs are now offered in technology and business development, chemistry, mathematics, computer science, and society and technology. Associate degrees are offered in art, science, and engineering science.

The Montana Bureau of Mines and Geology is a division of the college established by the legislature as a public service and research department. The bureau is responsible for assisting in the development of the state's mineral, energy, and ground water resources. Research projects are undertaken in cooperation with the United States Geology Association (USGA), U.S. Bureau of Mines, and other federal, state, and local agencies.

The college is financed primarily by state appropriations from the state's general fund, the university millage account, and student tuition and fees. Revenue is also generated from federal grants, private gifts and donations, and auxiliary enterprise operations.

# Prior Audit Recommendations

## Prior Audit Recommendations

Our office performed the financial-compliance audit of the college for the two fiscal years ended June 30, 1992. The report contained eight recommendations. The college implemented five, partially implemented two, and did not implement one of the recommendations. The recommendation which was not implemented deals with unrecorded donations to the college and is addressed on page 4 of the report. The partially implemented recommendations relate to property recording, which is discussed on page 8 of the report, and compliance with purchasing laws which was discussed with college personnel but is not repeated in this report.

# Findings and Recommendations

## Unrecorded Activity

State law requires the college to record all financial activity on the state's accounting records before the end of the fiscal year in accordance with generally accepted accounting principles. In the following report sections, we discuss two instances where the college did not record financial activity in accordance with state law and generally accepted accounting principles.

## Donations

The college and its related foundation each receive donations from outside parties. The foundation is a nonprofit, tax-exempt corporation established to solicit and receive donations to fund various activities at the college. The college contracts with the foundation to provide fund raising activities and administer selected college assets. Gifts to the foundation should be recorded as an asset on the foundation's financial records. Gifts to the college should be recorded as an asset on the college's accounting records.

In our previous audit we identified an estate willed to the college. Based on our review of the Will, provisions indicated the hope that any funds received by "an officer of said institution" be used for the "maintenance, operation and improvement of its Engineering and Science Divisions." The college has an "officer of said institution" and an "Engineering and Science Division." These provisions indicate the college is the intended beneficiary. We recommended the college record the estate assets on its accounting records as part of our previous audit report.

During the current audit, we determined the college did not record the estate distributions on its accounting records and related financial statements for the two fiscal years ended June 30, 1994.

The University System concurred with our prior recommendation and developed a policy for handling donations and bequests. The policy requires donations or bequests received by the college be deposited in the state treasury and recorded on the college accounting records. The foundation is to account for all other

donations and bequests. College officials stated because they believe the foundation is the intended beneficiary of the Will, the estate distributions are accounted for by the foundation in accordance with University System policy.

The college was unable to provide documentation, other than that provided in the prior audit, to support their interpretation of the provisions of the Will. We continue to believe the college should record estate distributions and interest earnings of approximately $700,000 as assets on the college accounting records.

**Recommendation #1**

**We recommend the college account for donations and bequests made to the college on the college accounting records as required by University System policy and state law.**

**Daycare**

Generally accepted accounting principles require a financial reporting entity include in its financial reports the financial activity of other organizations for which the entity is financially accountable. The imposition of will, fiscal dependence, and financial burden are listed as some of the criteria for determining financial accountability.

The college contracts with an independent contractor to manage and operate the Montana Tech Day Care for the benefit of students, faculty, and staff. The provider is required to give first priority to the children of students, followed by the children of faculty and staff, for day care services. The college also determines what the basic fees for the day care services will be for the various clients. If the provider earns fees in excess of a set amount, the surplus is returned to the college. The Associated Students of Montana Tech pay the college a subsidy to help offset the cost of setting the student fees for the day care facility at a lower rate than the faculty and staff. Per the

contract, the college provides two homes, utilities, insurance, maintenance, equipment, and local phone service for the day care. In addition, the contract states the college will establish an Advisory Board to review the provider's performance and to review and recommend on matters pertaining to Montana Tech's interest in providing child care service on the campus.

The items listed in the previous paragraph demonstrate the ability of the college to impose its will on the daycare. These items also demonstrate the fact the daycare is fiscally dependent and poses a financial burden on the college. For these reasons, the college should record all activity of the Montana Tech Day Care on its financial records.

The college excludes from its financial statements the fee revenues received by the day care and the expenditures for the salary and benefits of the staff, food provided for the children, office supplies, and accounting services. As a result the college's financial information is incomplete. Revenues are understated by approximately $38,700 and $30,000 in fiscal years 1992-93 and 1993-94, respectively. Expenditures are understated by approximately $34,800 and $38,700 in fiscal years 1992-93 and 1993-94, respectively.

**Recommendation #2**

**We recommend the college record the financial activity of the Montana Tech Day Care on the college's financial records as required by state law.**

## Contracted Food Services

The college has contracted for food services with the same independent contractor for approximately ten years. The contract was competitively bid when it was first awarded. However, since then the contract has been renewed without utilizing a competitive bidding process. The latest contract,

dated July 1991, provides for continuous renewals without any provisions for the bid process.

State law requires state agencies and universities to use a competitive bidding process to award all state contracts for supplies and services. Furthermore, section 18-4-313, MCA, provides in part:

> "(1) Unless otherwise provided by law, a contract, lease, or rental agreement for supplies or services may not be made for a longer period than 3 years; . . . A contract, lease, or rental agreement may be extended or renewed, notwithstanding the time limits stated in this section, if the terms of the extension or renewal, if any, are included in the solicitation and funds are available for the first fiscal period at the time of the agreement. Payment and performance obligations for succeeding periods are subject to the availability and appropriation of funds for the fiscal period.
>
> (2) Prior to the extension or renewal of a contract, it must be determined in writing that:
> (a) estimated requirements cover the period of the contract and are reasonably firm and continuing; and
> (b) the contract will serve the best interests of the state by encouraging effective competition or otherwise promoting economies in state procurement."

Under the provisions of this section state contracts for the purchase of supplies and services are limited to three years. Extensions or renewals are permissible if the statutory criteria are met. Automatic renewals without meeting the criteria are contrary to state purchasing statutes. The terms of the extension and renewal for the college's food service contact were not included in the initial solicitation. Therefore, the college is not in compliance with the state purchasing statutes.

College officials stated the food service provider has provided a consistent quality of services at a reasonable cost and displayed a strong commitment to resolving issues with the college's administration and the student body over the ten year period. Based on the officials' satisfaction with the contractor, the college continued to renegotiate the contract.

**Recommendation #3**

**We recommend the college comply with state purchasing laws or seek legislation to allow an exception for its food services contract.**

## Property Recording

The college uses the Property Accountability Management System (PAMS) to manage and account for its capital equipment in accordance with state property management policies. Capital equipment recorded on PAMS at June 30, 1994 totalled $10,532,631.

State policy requires all major equipment be identified through the use of property tags and be included in an agency's inventory. Equipment costing over $1,000 is required to be recorded on PAMS. At its discretion, an agency may include items less than $1,000 on the PAMS listing. To ensure fixed assets are correctly recorded on PAMS, state policy requires a physical inventory of all fixed assets be performed biennially by an individual not responsible for maintaining the property.

To determine the reasonableness of the college's property records we examined 18 pieces of equipment recorded on the college's PAMS listing for November 1993. As a result of our audit procedures, we identified the following instances of noncompliance with state property management policies:

-- Six items were either not tagged or were tagged with a property number different from the PAMS listing.

-- A piece of research equipment located at a field office was identified as being located on campus.

-- A piece of research equipment costing $1,229 was accidently destroyed and was not removed from the PAMS listing.

-- Two items identified on PAMS as federal property were purchased with state and private funds.

The college assigns equipment to the employee in charge of its related use. The college's current procedures require each employee assigned equipment to monitor its use, complete the related portion of the inventory counts, and notify the business office when the location or usefulness of a piece of equipment changes. Although the business office performs a test count of equipment at the completion of the annual inventory, the employees performing the inventory count are not independent of those using the equipment, as required by state policy. In addition, the instructions provided for inventory completion do not identify related requirements, such as ensuring all property is tagged, identifying equipment which is not listed, and noting changes in location.

**Recommendation #4**

**We recommend the college establish property management procedures which comply with state policy.**

# Independent Auditor's Report & College Financial Statements

STATE OF MONTANA

# Office of the Legislative Auditor

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Operations and EDP Audit
JAMES GILLETT
Financial-Compliance Audit
JIM PELLEGRINI
Performance Audit

## INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying financial statements of Montana Tech of The University of Montana for each of the two fiscal years ended June 30, 1993 and 1994, as shown on pages A-4 through A-19. The information contained in these financial statements is the responsibility of the college's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position as of June 30, 1994 and the results of operations and changes in fund balances of the college for the two fiscal years ended June 30, 1993 and 1994, in conformity with generally accepted accounting principles.

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Assets and Liabilities and Fund Balances as of June 30, 1994, the related Schedules of Current Funds' Revenues and Expenditures and Changes in Fund Balances for the fiscal year then ended for the Facilities Refunding Revenue Bonds, Series A 1986, and the Schedule of Full-Time Equivalent Students for the two fiscal years ended June 30, 1994, prepared in accordance with the Registrar's Manual for Reporting Enrollment Statistics, are presented as supplemental information and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our examination of the basic financial statements. In our opinion the information fairly stated in all material respects the relation to the basic financial statements taken as a whole.

Respectfully submitted,

James Gillett

James Gillett, CPA
Deputy Legislative Auditor

November 2, 1994

MONTANA TECH OF THE UNIVERSITY OF MONTANA
BALANCE SHEET
JUNE 30, 1994

ASSETS

| | CURRENT FUNDS | | | | | | | PLANT FUNDS | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | UNRESTRICTED GENERAL OPERATING | DESIGNATED | RESTRICTED | AUXILIARIES | STUDENT LOAN FUND | ENDOWMENT FUND | AGENCY FUND | UNEXPENDED | RETIREMENT OF INDEBTEDNESS | INVESTMENT IN PLANT |
| ASSETS: | | | | | | | | | | |
| CASH ON HAND AND IN BANK | 30,235 | – | – | – | 5,153 | – | – | – | 1 | – |
| CASH ON DEPOSIT WITH STATE TREASURER | 494,319 | 675,602 | 120,572 | 158,848 | 6,165 | 154 | 58,962 | 43,013 | – | – |
| RECEIVABLES: | | | | | | | | | | |
| STUDENT LOANS RECEIVABLE | – | – | – | – | 590,503 | – | 73,221 | – | – | – |
| ACCOUNTS RECEIVABLE | 96,147 | 10,278 | 744,640 | 41,978 | – | – | 4,015 | 50,467 | – | – |
| ACCRUED INTEREST RECEIVABLE | – | – | – | – | – | – | – | 51,927 | 8,728 | – |
| LESS ALLOWANCE FOR DOUBTFUL LOANS | – | – | – | – | (15,000) | – | – | – | – | – |
| TOTAL RECEIVABLES | 96,147 | 10,278 | 744,640 | 41,978 | 575,503 | 0 | 77,236 | 102,394 | 8,728 | 0 |
| INVESTMENTS: | | | | | | | | | | |
| HELD BY TRUSTEES | – | – | – | – | – | – | – | 605,609 | 627,899 | – |
| STATE OF MONTANA SHORT-TERM INVESTMENT POOL | – | 56,100 | 107,000 | 49,700 | 126,000 | 373,900 | 112,914 | 370,000 | – | – |
| TOTAL INVESTMENTS | 0 | 56,100 | 107,000 | 49,700 | 126,000 | 373,900 | 112,914 | 975,609 | 627,899 | 0 |
| OTHER ASSETS: | | | | | | | | | | |
| PREPAID EXPENSES AND ADVANCES | 101,165 | 465 | – | 0 | 85 | – | – | – | – | – |
| INVENTORIES | 71,954 | 11,062 | – | 403,849 | – | – | – | – | – | – |
| TOTAL OTHER ASSETS | 173,119 | 11,527 | 0 | 403,849 | 85 | 0 | 0 | 0 | 0 | 0 |
| DUE FROM(TO) OTHER FUNDS | (676,590) | 31,617 | (396,049) | (33,470) | 158 | 0 | 1,076,747 | (2,413) | – | – |
| INTER-ENTITY LOAN | 250,000 | – | (250,000) | – | – | – | – | – | – | – |
| PROPERTY, PLANT & EQUIPMENT: | | | | | | | | | | |
| LAND | – | – | – | – | – | – | – | – | – | 791,546 |
| BUILDINGS | – | – | – | – | – | – | – | – | – | 24,162,810 |
| IMPROVEMENTS | – | – | – | – | – | – | – | – | – | 3,024,321 |
| EQUIPMENT | – | – | – | – | – | – | – | – | – | 10,532,631 |
| LIBRARY BOOKS | – | – | – | – | – | – | – | – | – | 1,090,005 |
| INTANGIBLE ASSETS | – | – | – | – | – | – | – | – | – | 784,705 |
| MUSEUM & ART COLLECTION | – | – | – | – | – | – | – | – | – | 341,875 |
| CONSTRUCTION WIP | – | – | – | – | – | – | – | 53,266 | – | 110,122 |
| TOTAL PROPERTY, PLANT AND EQUIPMENT | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 53,266 | 0 | 40,838,015 |
| TOTAL ASSETS | 387,230 | 785,124 | 326,163 | 620,906 | 713,064 | 374,054 | 1,325,859 | 1,171,669 | 636,628 | 40,838,015 |

## LIABILITIES AND FUND BALANCES

| | CURRENT FUNDS | | | | | | | PLANT FUNDS | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | UNRESTRICTED GENERAL OPERATING | DESIGNATED | RESTRICTED | AUXILIARIES | STUDENT LOAN FUND | ENDOWMENT FUND | AGENCY FUND | UNEXPENDED | RETIREMENT OF INDEBTEDNESS | INVESTMENT IN PLANT |
| LIABILITIES: | | | | | | | | | | |
| ACCOUNTS PAYABLE AND ACCRUED LIABILITIES | 144,249 | 38,357 | 81,324 | 25,360 | – | – | 1,124,620 | 3,232 | – | – |
| COMPENSATED ABSENCES | 1,315,178 | 66,391 | – | 20,363 | – | – | – | – | – | – |
| PENSION PAYABLE | 55,728 | | | | | | | | | |
| ACCRUED BOND INTEREST PAYABLE | – | – | – | – | – | – | – | – | 53,100 | – |
| OTHER LIABILITIES AND DEPOSITS | – | – | – | 27,047 | – | – | 201,239 | – | – | – |
| DEFERRED REVENUES | 147,298 | 17,396 | 76,183 | 5,697 | – | – | – | 11,689 | – | – |
| BONDS PAYABLE (Note 3) | – | – | – | – | – | – | – | – | – | 5,660,000 |
| LONG TERM LEASE PAYMENT | – | – | – | – | – | – | – | – | – | 237,108 |
| TOTAL LIABILITIES | 1,662,453 | 124,144 | 157,507 | 78,467 | 0 | 0 | 1,325,859 | 14,921 | 53,100 | 5,897,108 |
| FUND BALANCES | (1,295,223) | 660,980 | 168,856 | 542,439 | 713,064 | 374,054 | – | – | 583,528 | 34,940,907 |
| UNEXPENDED | | | | | | | | 348,269 | | |
| RENEWAL AND REPLACEMENT | | | | | | | | 808,679 | | |
| TOTAL LIABILITIES AND FUND BALANCES | 367,230 | 785,124 | 326,183 | 620,906 | 713,064 | 374,054 | 1,325,859 | 1,171,669 | 636,628 | 40,838,015 |

See notes to financial statements

MONTANA TECH OF THE UNIVERSITY OF MONTANA
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1994

| | CURRENT FUNDS | | | | | | | PLANT FUNDS | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | UNRESTRICTED GENERAL OPERATING | DESIGNATED | RESTRICTED | AUXILIARIES | STUDENT LOAN FUND | ENDOWMENT FUND | AGENCY FUND | UNEXPENDED | RETIREMENT OF INDEBTEDNESS | INVESTMENT IN PLANT |
| REVENUES AND OTHER ADDITIONS: | | | | | | | | | | |
| CURRENT FUND REVENUES - COLLEGE | 11,208,212 | 1,398,540 | 3,979,060 | 1,987,861 | – | – | – | – | – | – |
| BUREAU OF MINES AND GEOLOGY | 1,751,661 | – | – | – | – | – | – | – | – | – |
| LAND GRANT INCOME (Note 4) | – | – | – | – | – | – | – | 534,389 | – | – |
| RESTRICTED STUDENT FEES | – | – | – | – | – | – | – | 306,446 | – | – |
| STATE APPROPRIATION | – | – | – | – | – | – | – | – | – | – |
| FEDERAL CAPITAL CONTRIBUTIONS | – | – | – | – | 60,057 | – | – | – | 22,938 | – |
| INVESTMENT INCOME | – | 2,632 | 15,574 | 2,836 | 4,281 | – | – | 49,949 | 27,129 | – |
| INTEREST ON LOANS | – | – | – | – | 9,606 | – | – | – | – | – |
| EXPENDED FOR PLANT FACILITIES | – | – | – | – | – | – | – | – | – | 1,252,372 |
| PRIVATE GIFTS & DONATIONS | – | – | – | – | – | 25 | – | – | – | 521,096 |
| OTHER | – | – | – | – | 9,402 | – | – | 24,366 | – | – |
| DECREASE IN INDEBTEDNESS | – | – | – | – | – | – | – | – | – | 217,968 |
| TOTAL REVENUES AND OTHER ADDITIONS | 12,959,873 | 1,401,172 | 3,994,654 | 1,990,697 | 83,346 | 25 | 0 | 915,150 | 50,067 | 1,991,436 |
| EXPENDITURES AND OTHER DEDUCTIONS: | | | | | | | | | | |
| EDUCATIONAL AND GENERAL EXPENDITURES - COLLEGE | 11,165,854 | 1,147,803 | 4,014,814 | 1,652,478 | – | – | – | – | – | – |
| BUREAU OF MINES AND GEOLOGY | 1,873,038 | – | – | – | – | – | – | – | – | – |
| INDIRECT COST RECOVERIES | – | – | 15,034 | – | – | – | – | – | – | – |
| COMPENSATED ABSENCES | 236,882 | 12,107 | – | 649 | – | – | – | – | – | – |
| LOAN CANCELLATIONS AND BAD DEBT EXPENSES | – | – | – | – | 3,771 | – | – | – | – | – |
| COLLECTION COSTS | – | – | – | – | 808 | – | – | – | – | – |
| EXPENDED FOR PLANT FAC. | – | – | – | – | – | – | – | 831,731 | – | – |
| RETIREMENT OF INDEBTEDNESS | – | – | – | – | – | – | – | – | 160,000 | – |
| INTEREST OF INDEBTEDNESS | – | – | – | – | – | – | – | – | 428,954 | – |
| DISPOSAL OF PLANT FACILITIES | – | – | – | – | – | – | – | – | – | 283,680 |
| TOTAL EXPENDITURES AND OTHER DEDUCTIONS | 13,275,774 | 1,159,910 | 4,029,848 | 1,653,125 | 4,579 | 0 | 0 | 831,731 | 588,954 | 283,680 |

| | CURRENT FUNDS | | | | | | | PLANT FUNDS | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | UNRESTRICTED GENERAL OPERATING | DESIGNATED | RESTRICTED | AUXILIARIES | STUDENT LOAN FUND | ENDOWMENT FUND | AGENCY FUND | UNEXPENDED | RETIREMENT OF INDEBTEDNESS | INVESTMENT IN PLANT |
| TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS) | | | | | | | | | | |
| MANDATORY: | | | | | | | | | | |
| PRINCIPAL & INTEREST | – | – | – | – | – | – | – | (534,073) | 534,073 | – |
| UNEXPENDED PLANT | – | – | – | (94,888) | – | – | – | 94,888 | – | – |
| NON-MANDATORY: | | | | | | | | | | |
| LOAN TRANSFER | – | 2,544 | 280 | – | (2,824) | – | – | – | – | – |
| RENEWAL AND REPLACEMENT | – | (176,000) | – | (10,000) | – | – | – | 166,000 | – | – |
| TOTAL TRANSFERS | 0 | (173,456) | 280 | (104,888) | (2,824) | 0 | 0 | (253,185) | 534,073 | 0 |
| NET INCREASE (DECREASE) IN FUND BALANCE | (315,901) | 67,606 | (34,914) | 32,684 | 75,943 | 25 | 0 | 30,234 | (4,814) | 1,707,756 |
| FUND BALANCE, BEG. OF YEAR | (979,322) | 593,174 | 203,570 | 509,755 | 637,121 | 374,029 | 0 | 1,126,714 | 588,342 | 33,233,151 |
| FUND BALANCE, END OF YEAR | (1,295,223) | 660,980 | 168,656 | 542,439 | 713,064 | 374,054 | 0 | 1,156,948 | 583,528 | 34,940,907 |
| FUND BALANCE CONSISTS OF: | | | | | | | | | | |
| UNRESTRICTED - COLLEGE | 196,023 | – | – | 562,803 | – | – | – | – | – | – |
| BUREAU OF MINES & GEOLOGY | (120,340) | – | – | – | – | – | – | – | – | – |
| COMPENSATED ABSENCES | (1,315,178) | (68,391) | – | (20,364) | – | – | – | – | – | – |
| DESIGNATED | – | 729,371 | – | – | 81,249 | – | – | – | – | – |
| QUASI ENDOWMENT | – | – | – | – | – | 18,000 | – | – | – | – |
| RESTRICTED | (55,726) | – | 168,656 | – | 631,815 | 356,054 | – | – | 583,528 | – |
| NET INVESTMENT IN PLANT | – | – | – | – | – | – | – | – | – | 34,940,907 |
| UNEXPENDED | – | – | – | – | – | – | – | 348,269 | – | – |
| RENEWAL & REPLACEMENT | – | – | – | – | – | – | – | 808,679 | – | – |
| TOTAL FUND BALANCES | (1,295,223) | 660,980 | 168,656 | 542,439 | 713,064 | 374,054 | 0 | 1,156,948 | 583,528 | 34,940,907 |

See notes to financial statements

MONTANA TECH OF THE UNIVERSITY OF MONTANA
STATEMENT OF CURRENT FUNDS' REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE YEAR ENDED JUNE 30, 1994

| | UNRESTRICTED GENERAL OPERATING FUND | DESIGNATED FUND | RESTRICTED FUND | AUXILIARIES FUND |
|---|---|---|---|---|
| REVENUES: | | | | |
| TUITION AND FEES | 3,201,732 | – | – | – |
| STATE APPROPRIATIONS: | | | | |
| COLLEGE | 8,006,480 | – | – | – |
| BUREAU OF MINES AND GEOLOGY | 1,718,001 | – | – | – |
| FEDERAL GRANTS & CONTRACT | – | – | 2,940,306 | – |
| STATE GRANTS & CONTRACT | – | – | 338,862 | – |
| PRIVATE GRANTS & CONTRACTS | – | – | 720,072 | – |
| INVESTMENT INCOME | – | 2,632 | 15,574 | 2,836 |
| AUXILIARY ENTERPRISES | – | – | – | 1,987,861 |
| DESIGNATED | – | 1,398,540 | – | – |
| SALES AND SERVICES: | | | | |
| BUREAU OF MINES AND GEOLOGY | 33,660 | – | – | – |
| TOTAL REVENUES | 12,959,873 | 1,401,172 | 4,014,814 | 1,990,697 |
| EXPENDITURES: | | | | |
| INSTRUCTIONAL | 6,192,736 | – | – | – |
| ORGANIZED RESEARCH | 41,917 | – | 2,282,510 | – |
| ACADEMIC SUPPORT | 861,250 | – | 280,470 | – |
| STUDENT SERVICES AND AID | 1,353,645 | – | 263,669 | – |
| OPERATION AND MAINTENANCE OF PLANT | 1,713,738 | – | – | – |
| INSTITUTIONAL SUPPORT | 779,940 | 1,147,803 | – | 1,852,476 |
| SCHOLARSHIPS AND FELLOWSHIPS | 282,628 | – | 1,188,165 | – |
| RECOVERY FROM BUREAU OF MINES AND GEOLOGY | (60,000) | – | – | – |
| | 11,165,854 | 1,147,803 | 4,014,814 | 1,852,476 |
| INDEPENDENT OPERATIONS: | | | | |
| BUREAU OF MINES & GEOLOGY | 1,283,884 | – | – | – |
| GROUND WATER ASSESSMENT | 529,154 | | | |
| SERVICES PROVIDED BY COLLEGE | 60,000 | – | – | – |
| COMPENSATED ABSENCES | 236,882 | 12,107 | – | 649 |
| TOTAL EXPENDITURES | 13,275,774 | 1,159,910 | 4,014,814 | 1,853,125 |
| MANDATORY TRANSFERS: | | | | |
| UNEXPENDED PLANT | – | – | – | (94,888) |
| NON–MANDATORY TRANSFERS: | | | | |
| RENEWAL AND REPLACEMENT | – | (176,000) | – | (10,000) |
| LOAN TRANSFER | – | 2,544 | 280 | – |
| RESTRICTED RECEIPTS OVER(UNDER) TRANSFERS TO REVENUE | – | – | (35,194) | – |
| TOTAL TRANSFERS | 0 | (173,456) | (34,914) | (104,888) |
| NET INCREASE (DECREASE) IN FUND BALANCE | (315,901) | 67,806 | (34,914) | 32,684 |

See notes to financial statements

MONTANA TECH OF THE UNIVERSITY OF MONTANA
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1993

| | CURRENT FUNDS | | | | | | | PLANT FUNDS | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | UNRESTRICTED GENERAL OPERATING | DESIGNATED | RESTRICTED | AUXILIARIES | STUDENT LOAN FUND | ENDOWMENT FUND | AGENCY FUND | UNEXPENDED | RETIREMENT OF INDEBTEDNESS | INVESTMENT IN PLANT |
| REVENUES AND OTHER ADDITIONS: | | | | | | | | | | |
| CURRENT FUND REVENUES – | | | | | | | | | | |
| COLLEGE | 10,758,659 | 1,139,075 | 3,515,207 | 1,909,858 | – | – | – | – | – | – |
| BUREAU OF MINES AND GEOLOGY | 1,309,828 | – | – | – | – | – | – | – | – | – |
| LAND GRANT INCOME (Note 4) | – | – | – | – | – | – | – | 513,306 | – | – |
| RESTRICTED STUDENT FEES | – | – | – | – | – | – | – | 296,936 | – | – |
| STATE APPROPRIATION | – | – | – | – | – | – | – | – | – | – |
| FEDERAL CAPITAL CONTRIBUTIONS | – | – | – | – | 60,000 | – | – | – | 22,938 | – |
| INVESTMENT INCOME | – | 2,482 | 15,135 | 3,262 | 3,813 | – | – | 46,684 | 50,802 | – |
| INTEREST ON LOANS | – | – | – | – | 7,660 | – | – | – | – | – |
| EXPENDED FOR PLANT FACILITIES | – | – | – | – | – | – | – | – | – | 924,432 |
| PRIVATE GIFTS & DONATIONS | – | – | – | – | – | 25 | – | – | – | 135,404 |
| OTHER | – | – | – | – | 7,113 | – | – | 18,109 | – | – |
| TOTAL REVENUES AND OTHER ADDITIONS | 12,068,487 | 1,141,557 | 3,530,342 | 1,913,220 | 78,586 | 25 | 0 | 873,035 | 73,740 | 1,059,836 |
| EXPENDITURES AND OTHER DEDUCTIONS: | | | | | | | | | | |
| EDUCATIONAL AND GENERAL EXPENDITURES – | | | | | | | | | | |
| COLLEGE | 10,817,945 | 843,790 | 3,560,680 | 1,778,935 | – | – | – | – | – | – |
| BUREAU OF MINES AND GEOLOGY | 1,309,055 | – | – | – | – | – | – | – | – | – |
| INDIRECT COST RECOVERIES | – | – | 14,117 | – | – | – | – | – | – | – |
| COMPENSATED ABSENCES | 125,486 | 10,612 | – | 2,809 | – | – | – | – | – | – |
| LOAN CANCELLATIONS AND BAD DEBT EXPENSES | – | – | – | – | 7,811 | – | – | – | – | – |
| COLLECTION COSTS | – | – | – | – | 128 | – | – | – | – | – |
| EXPENDED FOR PLANT FAC. | – | – | – | – | – | – | – | 381,192 | – | – |
| RETIREMENT OF INDEBTEDNESS | – | – | – | – | – | – | – | – | 155,000 | – |
| INTEREST OF INDEBTEDNESS | – | – | – | – | – | – | – | – | 439,472 | – |
| DISPOSAL OF PLANT FACILITIES | – | – | – | – | – | – | – | – | – | 301,993 |
| INCREASE IN INDEBTEDNESS | – | – | – | – | – | – | – | – | – | 1,883 |
| TOTAL EXPENDITURES AND OTHER DEDUCTIONS | 12,252,486 | 854,402 | 3,574,797 | 1,779,744 | 7,939 | 0 | 0 | 381,192 | 594,472 | 303,876 |

| | CURRENT FUNDS | | | | | | | PLANT FUNDS | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | UNRESTRICTED GENERAL OPERATING | DESIGNATED | RESTRICTED | AUXILIARIES | STUDENT LOAN FUND | ENDOWMENT FUND | AGENCY FUND | UNEXPENDED | RETIREMENT OF INDEBTEDNESS | INVESTMENT IN PLANT |
| TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS) | | | | | | | | | | |
| MANDATORY: | | | | | | | | | | |
| PRINCIPAL & INTEREST | - | - | - | - | - | - | - | (523,000) | 523,000 | - |
| UNEXPENDED PLANT | - | - | - | (181,730) | - | - | - | 181,730 | - | - |
| NON-MANDATORY: | | | | | | | | | | |
| LOAN TRANSFER | - | 2,843 | - | - | (2,843) | - | - | - | - | - |
| RENEWAL AND REPLACEMENT | - | (90,000) | - | - | - | - | - | 90,000 | - | - |
| TOTAL TRANSFERS | 0 | (87,157) | 0 | (181,730) | (2,843) | 0 | 0 | (251,270) | 523,000 | 0 |
| NET INCREASE (DECREASE) IN FUND BALANCE | (163,999) | 199,998 | (44,455) | (48,254) | 87,804 | 25 | 0 | 240,573 | 2,268 | 755,960 |
| FUND BALANCE, BEG. OF YEAR | (795,323) | 393,176 | 248,025 | 558,009 | 569,317 | 374,004 | 0 | 886,141 | 586,074 | 32,477,191 |
| FUND BALANCE, END OF YEAR | (979,322) | 593,174 | 203,570 | 509,755 | 637,121 | 374,029 | 0 | 1,126,714 | 588,342 | 33,233,151 |
| FUND BALANCE CONSISTS OF: | | | | | | | | | | |
| UNRESTRICTED - COLLEGE | 153,665 | - | - | 529,469 | - | - | - | - | - | - |
| BUREAU OF MINES & GEOLOGY | 1,037 | - | - | - | - | - | - | - | - | - |
| COMPENSATED ABSENCES | (1,134,024) | (56,284) | - | (19,714) | - | - | - | - | - | - |
| DESIGNATED | - | 649,458 | - | - | 81,148 | - | - | - | - | - |
| QUASI ENDOWMENT | - | - | - | - | - | 18,000 | - | - | - | - |
| RESTRICTED | - | - | 203,570 | - | 555,973 | 356,029 | - | - | 588,342 | - |
| NET INVESTMENT IN PLANT | - | - | - | - | - | - | - | - | - | 33,233,151 |
| UNEXPENDED | - | - | - | - | - | - | - | 336,036 | - | - |
| RENEWAL & REPLACEMENT | - | - | - | - | - | - | - | 790,678 | - | - |
| TOTAL FUND BALANCES | (979,322) | 593,174 | 203,570 | 509,755 | 637,121 | 374,029 | 0 | 1,126,714 | 588,342 | 33,233,151 |

See notes to financial statements

MONTANA TECH OF THE UNIVERSITY OF MONTANA
STATEMENT OF CURRENT FUNDS' REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE YEAR ENDED JUNE 30, 1993

| | UNRESTRICTED GENERAL OPERATING FUND | DESIGNATED FUND | RESTRICTED FUND | AUXILIARIES FUND |
|---|---|---|---|---|
| REVENUES: | | | | |
| TUITION AND FEES | 2,946,158 | – | – | – |
| STATE APPROPRIATIONS: | | | | |
| COLLEGE | 7,812,501 | – | – | – |
| BUREAU OF MINES AND GEOLOGY | 1,270,038 | – | – | – |
| FEDERAL GRANTS & CONTRACT | – | – | 2,438,983 | – |
| STATE GRANTS & CONTRACT | – | – | 440,276 | – |
| PRIVATE GRANTS & CONTRACTS | – | – | 666,286 | – |
| INVESTMENT INCOME | | 2,482 | 15,135 | 3,262 |
| AUXILIARY ENTERPRISES | – | – | – | 1,909,958 |
| SALES AND SERVICES: | | | | |
| BUREAU OF MINES AND GEOLOGY | 39,790 | – | – | – |
| DESIGNATED | – | 1,139,075 | – | – |
| TOTAL REVENUES | 12,068,487 | 1,141,557 | 3,560,680 | 1,913,220 |
| EXPENDITURES: | | | | |
| INSTRUCTIONAL | 5,702,115 | – | – | – |
| ORGANIZED RESEARCH | 42,339 | – | 1,762,413 | – |
| ACADEMIC SUPPORT | 893,051 | – | 322,811 | – |
| STUDENT SERVICES AND AID | 1,346,104 | – | 86,619 | – |
| OPERATION AND MAINTENANCE OF PLANT | 1,713,454 | – | – | – |
| INSTITUTIONAL SUPPORT | 900,760 | 843,790 | – | 1,776,935 |
| SCHOLARSHIPS AND FELLOWSHIPS | 280,122 | – | 1,388,837 | – |
| RECOVERY FROM BUREAU OF MINES AND GEOLOGY | (60,000) | – | – | – |
| | 10,817,945 | 843,790 | 3,560,680 | 1,776,935 |
| INDEPENDENT OPERATIONS: | | | | |
| BUREAU OF MINES & GEOLOGY | 1,249,055 | – | – | – |
| SERVICES PROVIDED BY COLLEGE | 60,000 | – | – | – |
| COMPENSATED ABSENCES | 125,486 | 10,612 | – | 2,809 |
| TOTAL EXPENDITURES | 12,252,486 | 854,402 | 3,560,680 | 1,779,744 |
| MANDATORY TRANSFERS: | | | | |
| UNEXPENDED PLANT | – | – | – | (181,730) |
| NON-MANDATORY TRANSFERS: | | | | |
| RENEWAL AND REPLACEMENT | – | (90,000) | – | – |
| LOAN TRANSFER | – | 2,843 | – | – |
| RESTRICTED RECEIPTS OVER(UNDER) TRANSFERS TO REVENUE | – | – | (44,455) | – |
| TOTAL TRANSFERS | 0 | (87,157) | (44,455) | (181,730) |
| NET INCREASE (DECREASE) IN FUND BALANCE | (183,999) | 199,998 | (44,455) | (48,254) |



See notes to financial statements

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The College's financial statements are included as a component part of the State of Montana General Purpose Financial Statements which are prepared annually and presented in the Montana Comprehensive Annual Financial Report.

### Accrual Basis

The financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles for colleges and universities except that depreciation on plant assets is not recorded.

The statements of current funds revenues, expenditures and other changes are statements of financial activities of current funds related to the current reporting period and do not purport to present the results of operations or the net income or loss for the periods.

### Fund Accounting

The accounts of the college are maintained in accordance with the principles of fund accounting wherein resources are classified for accounting purposes into funds that are identified by the limitations and restrictions placed on their use.

Separate accounts are maintained for each fund; however, accounts with common characteristics are combined into fund groups and reflected as such in the accompanying financial statements.

Montana Bureau of Mines & Geology, a separate state agency, for appropriation purposes, functions as an integral part of the college. Applicable revenues and expenditures are identified separately in the financial reports.

The common characteristics of the funds contained in the various groups are as follows:

#### Current Funds:

The current funds group includes economic resources expendable in performing the primary objectives of the university, i.e., instruction, research and public service. The current funds' group have two basic distinct subgroups: unrestricted funds which have no expenditure restrictions and restricted funds which have expenditure restrictions.

Unrestricted current funds are comprised of the following:

General Operating - utilized for general operations in performing the primary objectives of the college. Appropriations in the General Operating account are made by the Legislature for operating purposes of Montana Tech of The University of Montana. Expenditures against these appropriations are funded by corresponding funds at the state level. Unexpended or unencumbered balances in these appropriations revert to the respective state funds at year-end.

Designated - utilized for education and laboratorial related service activities which are self-supporting. These funds are separately classified in order to accumulate and distinguish the cost of these specialized services or function areas.

Auxiliary Enterprises - utilized in providing essential on-campus services primarily to students, faculty and staff (self-supporting).

The negative fund balance in the unrestricted general operating account includes the unfunded liability of $1,134,024 for compensated absences payable in FY93, $1,315,178 for compensated absences payable in FY94 and the unfunded liability of 55,278 for PERS early retirement incentive plan payable in FY94.

Restricted current funds are utilized for financing current operations, but limited by external donors and funding agencies to specific purposes, programs and departments.

Student Loan Funds:

The resources from this group of funds are available to students to aid in financing their education. Funds for the loans are provided by government, private and college sources with the majority of the funds being provided by the federal government.

Endowment Funds:

Endowment funds are funds with specific donor or other outside agency restrictions limiting the expenditure of the principal. Generally, the principal is to be maintained in perpetuity and invested for the purpose of producing income.

Plant Funds:

Plant funds are separated into three distinct self-balancing subgroup accounts:

Unexpended Plant - utilized for long-term institutional assets and for institutional asset maintenance.

Retirement of Indebtedness - utilized for debt servicing and retirement of indebtedness.

Investment in Plant - denotes the cost of long-term institutional assets and related liabilities and equity.

Agency Funds:

Agency funds - includes assets held by the institution as a custodian or fiscal agent for other organizations or individuals.

Inventories

Inventories, which consist mainly of bookstore supplies, are generally valued at cost.

Plant and Equipment

Equipment acquired with restricted grants and contracts is recorded as additions to investment in plant at the time of purchase. On certain grants and contracts, title to equipment purchased is vested with the grantor or contractor until completion of the project at which time the equipment may revert to the college.

No provision has been made for depreciation of plant facilities.

Unearned Tuition and Fees

Summer school tuition and fee revenues and related expenses are deferred at June 30 and recorded as revenue and expense in the succeeding fiscal years.

Retirement Plans

Full-time employees of Montana Tech are all members of the Public Employees' Retirement System (PERS), Teachers' Retirement System (TRS), or the Optional Retirement Program (ORP). ORP started in January of 1988, is underwritten by the Teachers' Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF). Prior to July 1, 1993, only faculty and staff with contracts under the authority of the Board of Regents elected either the TRS or the ORP. Effective July 1, 1993, all academic and professional administrative personnel with individual contracts under the authority of the Board of Regents are eligible to participate in the ORP. Pension Benefit Obligation is not available on an agency basis, but is available on a statewide basis from the Montana Retirement Systems or TIAA-CREF.

ORP - The ORP is a defined contribution plan. The benefits at retirement depend upon the amount of contributions, amounts of investment gains and losses and the employee's life expectancy at retirement. Under the ORP, each employee enters into an individual contract with TIAA-CREF. Montana Tech records employee/employer contributions, and remits monies to the Commissioner of Higher Education. The Commissioner's Office then transfers the contributions to TIAA-CREF. Individuals are immediately vested with contributions.

TRS - This mandatory system established in 1937 and governed by Title 19, Chapter 20, MCA, provides retirement services to all persons employed as teachers or professional staff of any public elementary or secondary school, vocational-technical center or unit of the University System. Eligibility is met with a minimum of 25 years of service and age 50 or age 60 with 5 years of creditable service. The formula for accrued benefits is 1/60 times creditable service times the average final compensation. Rights are vested after 5 years of creditable service. Vested employees may retire at or after age 50 and receive reduced retirement benefits. Effective July 1, 1993, new academic and professional administrative personnel are no longer eligible for the Teachers' Retirement System.

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PERS - This mandatory system established in 1945 and governed by Title 19, Chapter 3, MCA, provides retirement services to substantially all public employees. Benefit eligibility is age 60 with at least 5 years of service; age 65 regardless of service; or 30 years of service regardless of age. Actuarially reduced benefits may be taken with 25 years of service or at age 50 with at least 5 years of service. Beginning January 1, 1989, monthly retirement benefits are determined by taking 1/56 times the number of years of service times the final average salary. Members rights become vested after 5 years of service.

Information as of June 30, 1993

| | PERS | TRS | ORP (TIAA-CREF) |
|---|---|---|---|
| Covered Payroll | 2,577,878 | 4,649,591 | 1,258,390 |
| Total Payroll | 9,626,804 | 9,626,804 | 9,626,804 |
| Employer Contributions | 168,851 | 346,813 | 37,198 |
| Percent of Covered Payroll | 6.550% | 7.459% | 2.956% |
| Employee Contributions | 168,851 | 327,517 | 88,641 |
| Percent of Covered Payroll | 6.550% | 7.044% | 7.044% |

Information as of June 30, 1994

| | PERS | TRS | ORP (TIAA-CREF) |
|---|---|---|---|
| Covered Payroll | 2,671,000 | 5,152,430 | 1,725,202 |
| Total Payroll | 10,670,064 | 10,670,064 | 10,670,064 |
| Employer Contributions | 178,957 | 384,660 | 85,501 |
| Percent of Covered Payroll | 6.700% | 7.459% | 4.956% |
| Jan 1, 1994 | | 7.470% | |
| Employee Contributions | 178,957 | 362,937 | 121,523 |
| Percent of Covered Payroll | 6.700% | 7.044% | 7.044% |

For ORP participants, a total of $56,665 or 4.503% in 1993 and $43,182 or 2.503% in 1994, was contributed to TRS as employer contributions to amortize past service unfunded liability in accordance with Title 19, Chapter 21, MCA.

Statewide Budgeting and Accounting System

The balance sheet, statement of changes in fund balances and statement of current funds' revenues, expenditures and other changes have been prepared in accordance with generally accepted accounting principles; consequently, these reports may differ from the financial information recorded in the Statewide Budgeting and Accounting System.

## NOTE 2 - INVESTMENTS

Investments at June 30, 1994 consisted of the following:

| | |
|---|---|
| Montana Common Stock Pool (Mont Comp) | $ 42,014 |
| Montana Short-term Investment Pool (STIP) | 1,153,600 |
| First Bank Trustee Account S-T | 577,619 |
| First Bank Trustee Account L-T | 320,013 |
| First Bank Trustee Account Cash Equiv. | 335,876 |
| | $ 2,429,122 |

Investments are carried at cost which approximate market value at June 30, 1994. The investments are risk category 1 because they are insured and are held by the state or its agent in the College's name.

The investments at June 30, 1994 are owned by the following funds:

| | |
|---|---|
| Designated Funds | $ 56,100 |
| Restricted Funds | 107,000 |
| Auxiliaries Fund | 49,700 |
| Student Loan Fund | 126,000 |
| Endowment Fund | 373,900 |
| Agency Fund | 112,914 |
| Unexpended Plant Fund | 975,609 |
| Retirement of Indebtedness Plant Fund | 627,899 |
| | $ 2,429,122 |

## NOTE 3 - BONDS PAYABLE

At June 30, 1994, bonds payable are Facilities Refunding Revenue Bonds, Series A 1986 with a balance outstanding of $5,660,000.

The proceeds of the bonds, together with certain funds and monies of the Board and the College and certain proceeds of Bonds refunded by the Series A 1986 Bonds, provided funds for the construction, renovation, equipment and improvement of certain facilities at and for Montana Tech of The University of Montana; for refunding certain outstanding indebtedness of the Board of Regents of Higher Education issued for or incurred by Montana Tech of The University of Montana; for paying the costs of issuance of the Series A 1986 Bonds; for funding the debt service reserve requirement for the Series A 1986 Bonds; and for funding part of the repair and replacement requirement for the Income Facilities.

The Facilities Refunding Revenue Bonds, Series A 1986 indenture provides, among other things; that the College will maintain revenues to meet required annual principal and interest payments and annual operation and maintenance expense; that the College will maintain a bond and interest sinking fund account and repair and replacement reserve account; provide audited financial statements of the College to the trustee within a specified period of time as well as to any requesting bondholders; and pledge and appropriate all monies received by the college from income facilities, student building fees, land grant income, the Federal Debt Service Grant received by the College and investment income from the funds for the retirement of bonds payable.

The principal amounts of the bonds mature on November 15th of varying years with varying interest rates as follows:

| MATURITY (November 15) | PRINCIPAL AMOUNTS MATURING | INTEREST RATE (PER ANNUM) |
|---|---|---|
| 1994 | 175,000 | 6.70 % |
| 1995 | 185,000 | 6.80 % |
| 1996 | 200,000 | 7.00 % |
| 1997 | 215,000 | 7.10 % |
| 1998 | 230,000 | 7.20 % |
| 1999-2009 | 4,655,000 | 7.625% |
| Total | 5,660,000 | |

In prior years, the College defeased certain bond issues by placing proceeds of new bonds in an irrevocable trust. The proceeds, together with interest earned thereon, will be sufficient for future debt service payments on the refunded issues. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the College's financial statements. At June 30, 1994, $6,760,000 of bonds outstanding are considered defeased.

## NOTE 4 - LAND GRANT STATUS

The congress of the United States, by the enabling act approved February 22, 1889, granted to the State of Montana 100,000 acres for the college and provided that all monies received from the sale of lands belonging to this grant, together with proceeds from the sale of timber, oil royalties and other minerals, should be credited to a permanent fund for each of the land grant institutions. These monies are currently pledged to the Series A 1986 revenue bonds. It also provided that permanent funds could not be used for any other purpose and must remain forever inviolate as the property of each of the land grant funds.

The college's land grant assets are not reflected in these financial statements, but are shown in the Montana Department of Lands' financial schedules.

## NOTE 5 - COMPENSATED ABSENCES

On July 1, 1982, the college started accounting for unused vacation and sick leave in accordance with the Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences. Permanent employees can accumulate and carry to the following calendar year two times the maximum number of vacation days earned annually. Unused vacation leave is paid at full value to employees upon termination. Upon termination, unused sick leave earned since July 1, 1971, is paid to the employee at 25% value.

The accumulated liability for compensated absences totaled $1,403,932 for the year ended June 30, 1994.

## NOTE 6 - NOTES PAYABLE

A note payable is due Xerox Corporation for the purchase of a Xerox 1090. It is payable in monthly payments of $332 including interest, through June 1995. Minimum principal payments are: FY95-$2,812; FY96-$3,015; FY97-$3,233; FY98-$3,467; FY99-$5,449.

A note payable is due for Prime Computer Incorporated for the purchase of Prime 4050 CPU. It is payable in monthly payments of $850 including interest, through December 1995. Minimum principal payments are: FY95-$3,184.

An installment finance agreement has been completed with Norwest Investment Services, Inc. for 2 DEC VAX 4000 computers and related equipment. It is payable in yearly payments of $29,422.10 including interest, through August 15, 1996. Minimum principal payments are: FY96-$25,785; and FY97-$27,544.

A Xerox lease agreement has been completed with Xerox Corporation for a Xerox 5052 with RHD photocopier. It is payable in monthly payments of $658.89 including interest through March, 1995. Minimum principal and maintenance payments are: FY95-$5,930.

An installment finance agreement has been completed with Norwest Investment Services, Inc. for an Inductively Coupled Plasma Mass Spectrometer and related equipment. It is payable in yearly payments of $46,076.27 including interest, through July 31, 1997. Minimum principal payments are: FY95-$36,497; FY96- $38,687; FY97-$41,008; and FY98-$43,468.

## NOTE 7 - AFFILIATED ORGANIZATIONS

Montana Tech of The University of Montana is a component unit of the State of Montana. These financial statements include only the activities, funds, and accounts of the College. Private nonprofit organizations affiliated with the College include the Montana Tech Foundation, the Montana Tech Booster Club, and the Montana Tech Alumni Association. The Foundation and Associations operate exclusively for the purposes of encouraging, promoting, and supporting educational programs, research, and scholarly pursuits, and athletics at or in connection with the College. In exchange, the College provides the Foundation with office space and an annually contracted fee; and the associations with office space and some related office expenses.

The amount of payments on the contract with the Foundation for fiscal years 1992-93 and 1993-94 were $175,000 and $210,000 respectively. The estimated amount spent by the Foundation for the support of the College for the same periods of time were $1,180,424 and $1,002,194.

As of June 30, 1994, there were outstanding receivables from the Foundation totaling $35,528.06 and no outstanding payables.

MONTANA TECH OF THE UNIVERSITY OF MONTANA
FACILITIES REFUNDING REVENUE BONDS, SERIES A 1986

SCHEDULE OF ASSETS AND LIABILITIES AND FUND BALANCES
JUNE 30, 1994

| | CURRENT FUNDS | PLANT FUNDS | |
|---|---|---|---|
| | Pledged Auxiliaries | Unexpended | Retirement of Indebtedness |
| ASSETS | | | |
| Cash On Deposit | 140,856 | 22,069 | 1 |
| Accounts and Interest Receivable | 41,978 | 102,232 | 8,728 |
| Investments: | | | |
| Held By Trustees | 0 | 605,609 | 627,899 |
| State of Montana Short--term Investment Pool | 0 | 140,000 | 0 |
| Other Assets: | | | |
| Prepaid Expenses | 0 | 0 | 0 |
| Inventories | 403,849 | 0 | 0 |
| Total Other Assets | 403,849 | 0 | 0 |
| Due From (To) Other Funds | (32,181) | (3,214) | 0 |
| Construction WIP | 0 | 53,266 | 0 |
| Total Assets | 554,502 | 919,962 | 636,628 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts Payable and Accrued Liabilities | 24,292 | 1,104 | 53,100 |
| Other Liabilities and Deposits | 27,048 | 0 | 0 |
| Unearned Revenues | 5,697 | 5,965 | 0 |
| Total Liabilities | 57,037 | 7,069 | 53,100 |
| Fund Balances | 497,465 | 912,893 | 583,528 |
| Total Liabilities and Fund Balances | 554,502 | 919,962 | 636,628 |

MONTANA TECH OF THE UNIVERSITY OF MONTANA
FACILITIES REFUNDING REVENUE BONDS, SERIES A 1986

SCHEDULE OF CHANGES IN FUND BALANCES
JUNE 30, 1994

| | CURRENT FUNDS | PLANT FUNDS | |
|---|---|---|---|
| | Pledged Auxiliaries | Unexpended | Retirement of Indebtedness |
| Revenues and Other Additions: | | | |
| Unrestricted Fund Revenues | 1,876,579 | 0 | 0 |
| Land Grant Income | 0 | 534,389 | 0 |
| Restricted Student Fees | 0 | 162,323 | 0 |
| Federal Capital Contributions | 0 | 0 | 22,938 |
| Investment Income | 0 | 37,222 | 27,129 |
| Other Income | 0 | 11,025 | 0 |
| Total Revenues and Other Additions | 1,876,579 | 744,959 | 50,067 |
| Expenditures and Other Deductions: | | | |
| General Expenditures | 1,756,760 | 0 | 0 |
| Expended For Plant Facilities | 0 | 245,516 | 0 |
| Retirement of Indebtedness | 0 | 0 | 160,000 |
| Interest of Indebtedness | 0 | 0 | 428,954 |
| Total Expenditures and Other Deductions | 1,756,760 | 245,516 | 588,954 |
| Net Revenue Over (Under) Expenditures | 119,819 | 499,443 | (538,887) |
| Transfer Amount Funds: Additions (Deductions) For Retirement of Indebtedness | (94,888) | (414,185) | 534,073 |
| Net Increase (Decrease) In Fund Balance | 24,931 | 85,258 | (4,814) |
| Fund Balance Beginning of Year, As Previously Reported | 472,534 | 827,635 | 588,342 |
| Fund Balance End of Year | 497,465 | 912,893 | 583,528 |

MONTANA TECH OF THE UNIVERSITY OF MONTANA
FACILITIES REFUNDING REVENUE BONDS, SERIES A 1986

SCHEDULE OF CURRENT FUNDS' REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1994

| | Pledged Auxiliaries |
|---|---|
| **Revenues:** | |
| Sales and Services | 879,331 |
| Board and Room | 805,948 |
| Tuition and Fees | 96,110 |
| Other Income | 95,190 |
| Total Revenue | 1,876,579 |
| **Expenditures:** | |
| Cost of Goods Sold | 727,627 |
| Personal Services | 376,868 |
| Operating Expenses | 644,475 |
| Equipment | 7,790 |
| Total Expenditures | 1,756,760 |
| Revenues in Excess of Expenditures | 119,819 |

## MONTANA TECH OF THE UNIVERSITY OF MONTANA
## SCHEDULE OF FULL-TIME EQUIVALENT (FTE) STUDENTS
## FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1994

| Semester | Year | Undergraduate FTE[1] | Graduate FTE [2] | Total FTE |
|---|---|---|---|---|
| Summer | 1992 | 134 | 4 | 138 |
| Fall | 1992 | 1,558 | 62 | 1,620 |
| Spring | 1993 | 1,441 | 70 | 1,511 |
| Summer | 1993 | 153 | 7 | 160 |
| Fall | 1993 | 1,683 | 72 | 1,755 |
| Spring | 1994 | 1,539 | 72 | 1,611 |

[1] Undergraduate semester credit hours divided by 15.

[2] Graduate semester credit hours divided by 12.

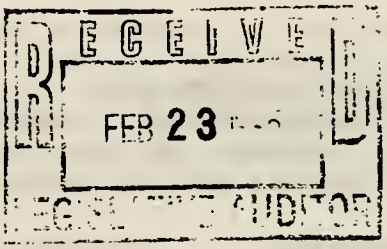
**Source: Compiled by the Office of the Legislative Auditor from college records.**

# College Response

The University of Montana

Office of the President
The University of Montana
Missoula, Montana 59812-1291
(406) 243-2311, FAX (406) 243-2797

17 February 1995




Mr. Scott A. Seacat
Legislative Auditor
Office of the Legislative Auditor
Room 135, State Capitol
Helena, MT 59620

Dear Mr. Seacat:

We thank the Legislative Audit staff for the assistance and work performed for Montana Tech of The University of Montana for the two Fiscal Years ending 30 June 1994. We appreciate the audit team's assistance and advice.

As we implement the University System restructuring plan evidence of greater coordination and consistencies, especially with internal controls, will emerge. Efforts to review controls will continue because of the importance we assign to accountability and the management of State assets.

Sincerely,

George M. Dennison
President

Enclosure

c: J. Baker, Commissioner of Higher Education
K. Burgmeier, Director, Internal Audit
L. Norman, Chancellor, Montana Tech of The University of Montana
J. Todd, Vice President for Administration and Finance



An Equal Opportunity University

# MONTANA TECH
# OF THE UNIVERSITY OF MONTANA
## Response to Office of the Legislative Auditor
## Financial-Compliance Audit Report
## 17 February 1995

**RECOMMENDATION #1**

**WE RECOMMEND THE COLLEGE ACCOUNT FOR DONATIONS AND BEQUESTS MADE TO THE COLLEGE ON THE COLLEGE ACCOUNTING RECORDS AS REQUIRED BY UNIVERSITY SYSTEM POLICY AND STATE LAW.**

**Response**

**The College concurs with the recommendation.** While the College still believes the particular donor mentioned in the audit finding intended the bequest for the foundation, lacking confirmation to support this incongruity, the College will record the estate distribution as an asset in the accounting records by fiscal year end 1995.

**RECOMMENDATION #2**

**WE RECOMMEND THE COLLEGE RECORD THE FINANCIAL ACTIVITY OF THE MONTANA TECH DAY CARE ON THE COLLEGE'S FINANCIAL RECORDS AS REQUIRED BY STATE LAW.**

**Response**

**The College does not concur with the recommendation.** The College believes that an independent contractor as defined under Montana law and legally a separate entity manages and controls the Montana Tech Day Care. The contractor does not meet the criteria defined by generally accepted accounting principles for a reporting entity of the College, therefore, the College's accounting records should not include the financial activity of the Day Care.

According to the current accounting principles (assuming the entity is legally separate), a potential reporting entity must appoint a majority of the voting members of the governing board, and impose its will on the entity. The finding implies that the Advisory Board is the governing board. The Advisory Board exercises no management or fiscal control over the Day Care - the contractor is responsible for the fiscal management and day-to-day operations. The Advisory Board makes recommendations to the contractor and reviews performance. The Advisory Board has not even met since contracting with a provider for daycare. The provision in the contract just outlines the role of the Advisory Board if needed.

Since the College does not appoint the voting majority of a governing board, fiscal dependency is the second criteria to consider in determining a reporting entity. The finding refers to several terms in the contract for establishing fiscal dependency. The provisions noted in the contract are part of the negotiation process and subsequently documented. The College believes the Clientele and Fees for Services provisions necessary conditions of

the contract to ensure day care services are available to Montana Tech's students, faculty and staff. The College does establish priorities/preferences for the clientele and basic fees for the College's students and employees, but the contract also allows the contractor to establish lower rates and limited utilization by non-College persons.

The third criteria established for determining a potential reporting entity is that excluding the entity would cause the financial statements to be misleading or incomplete. The College believes including all the financial activity of the contractor on its financial records would in fact mislead readers of the financial statements. The College currently records the expenditures made by the College in support of the Montana Tech Day Care. The College is not responsible, liable or in control of the revenue or expenditures made by the contracted provider. The College believes that including all the financial activity of the daycare contractor is no different than requiring the College to report all financial activity of the food service vendor on its financial records.

**RECOMMENDATION #3**

**WE RECOMMEND THE COLLEGE COMPLY WITH STATE PURCHASING LAWS OR SEEK LEGISLATION TO ALLOW AN EXCEPTION FOR ITS FOOD SERVICES CONTRACT.**

**Response**

**The College concurs with the recommendation.** The College will comply with Section 18-4-313, to the extent applicable, when contracting for food services. The College may also explore the option of leasing space in future third party food service contracts. The College is currently negotiating a contract with the current vendor for Fiscal Year 1996. Therefore, it is impractical to bid the food service contract for the next fiscal year. The College will consult with University legal counsel and follow applicable state law for the Fiscal Year 1997 contract.

**RECOMMENDATION #4**

**WE RECOMMEND THE COLLEGE ESTABLISH PROPERTY MANAGEMENT PROCEDURES WHICH COMPLY WITH STATE POLICY.**

**Response**

**The College concurs with the recommendation.** The College will work with The University of Montana - Missoula Internal Auditor and Controller to provide greater accountability and compliance with State policy regarding property management procedures. Modification of current procedures and implementation will occur in Fiscal Year 1996.